

DEFERRED COMPENSATION

457 Loan/Refinance Application Packet

Accompanying Your Loan Forms

This booklet contains the following forms:

▲ 457 Loan/Refinance Application



ICMA RETIREMENT CORPORATION

The public service Vantagepoint® since 1972

R PKT570-010-200009

Your employer has chosen to make loans available from your section 457 deferred compensation plan, administered by the ICMA Retirement Corporation (ICMA-RC). The loan provision is a valuable feature, giving you the opportunity to borrow from your account balance and repay the loan through payroll deduction. The loan is actually an investment of a portion of your account balance in a promissory note which you will sign upon receiving the loan funds. All loans bear interest that you pay and is credited to your account. The amount you receive as a loan is not treated as a taxable plan distribution unless you default on the loan.

Steps to Follow

1. Obtain Loan Guidelines from your employer.

The Loan Guidelines contain the specific provisions adopted by your employer relating to permissible loans, such as:

Eligibility. Loans are available to active employees. Your employer may make loans available for any purpose or only in the event of hardships.

Loan Frequency. Loans may be taken only once per calendar year; your employer may permit you to have either (1) only one loan or (2) no more than five loans outstanding.

Loan Amount. The minimum permitted loan amount is \$1,000. The maximum loan amount is set by the Internal Revenue Code. A worksheet for calculating this amount is included on the last page of this brochure.

Length of Loan. Loans must be repaid in substantially equal installments of principal and interest, at least monthly, over a period that does not exceed five years. The only exception that your employer may permit is a longer repayment period for a loan used to acquire a principal residence.

Loan Repayment Process. You begin repaying your loan as soon as administratively practical through payroll deduction. You may continue to repay the loan through your employer while on leave of absence. Some employers' loan guidelines permit participants to continue loan repayments **through the employer** after separation from service. Your loan repayment is prorated according to your most recent election of investment option(s). Under no circumstances may you send a repayment directly to ICMA-RC. All repayments must be submitted through your employer. You may pay all or a portion of the principal and interest obligation early without penalty or additional fee. Extra payments are applied forward to the principal and interest breakdown on the original repayment schedule, unless the original payment is for the balance due.

Loan Interest Rate. The loan interest rates are set for regular loans at the prime rate (the often-quoted rate that banks charge their best customers) plus 0.5%, and for principal residence loans at the FHA/VA rate. The method for setting these rates is established in the Loan Guidelines. Loan interest rates are locked in at the time of approval and remain fixed throughout the life of the loan. The total finance charge consists of the interest rate that will be credited to your account and the loan maintenance fee, if applicable, paid to ICMA-RC (see How much will I be charged for the loan? under Important Additional Information). The charges will be amortized over the life of the loan and detailed on the Disclosure Statement of your loan documents.

2. Determine whether the amount you wish to borrow is within federal tax code requirements.

You may calculate the maximum amount available to you using the Maximum Loan Worksheet on page four. ICMA-RC cannot issue a loan for more than the amount limited by the Internal Revenue Code. Your requested loan amount is subject to downward adjustment without notice due to market fluctuation between the time of application and the time the loan is made.

3. Complete the attached application form.

457 Loan/Refinance Application Form. This form is used to apply for a new loan or to refinance an existing loan (increase the amount of the outstanding loan balance). You may apply for a new loan (1) if your employer permits only one loan and you have no loans outstanding or (2) if your employer permits up to five loans and you have fewer than five loans outstanding.

Refinancing is available to participants who have *only* one loan outstanding. You must refinance a loan to receive an additional outstanding loan amount if you are not permitted a new loan under your employer's Loan Guidelines. In refinancing a loan, you are not permitted to extend the loan repayment period beyond the length of the payment period permitted for the original loan.

4. Submit a completed form to your employer.

You must complete the form according to the instructions provided and submit it to your employer for approval. Please do not submit your application directly to ICMA-RC as this will delay processing. Your employer will review and approve the application. If your application is denied, your employer will provide the denial in writing. If approved, your employer will send the completed, approved application to ICMA-RC.

5. Receive loan documents and check from ICMA-RC through your employer.

After reviewing the loan for conformance with the Internal Revenue Code, Plan Document and Loan Guidelines, ICMA-RC will send the loan documents listed below and a check to your employer, who will notify you that you may execute the documents and receive the check. ICMA-RC sends out loan documents and checks every Friday for complete and approved applications received through 12 noon Eastern Time (9:00 a.m. Pacific Time) on the previous Wednesday. If Friday is not a business day, the deadline for receiving completed loan applications is Tuesday at noon and the checks are mailed on Thursday. Executed loan documents **must** be returned by your employer to ICMA-RC within 10 business days of issuance. Loan documents include:

Disclosure Statement. The Disclosure Statement contains all of the terms of your loan, including the annual percent-age rate, finance charge (total interest paid over life of loan), amount financed (loan amount), total repayments (principal plus interest) and frequency of repayment. The Disclosure Statement also covers some additional provisions, such as default, prepayment, nonassignment and arrearages. An **Amortization Schedule**, listing each payment date and the amount of principal and interest due on that date, is part of the Disclosure Statement. You must sign the Disclosure Statement; your employer will return the original to ICMA-RC, and you should keep the copy. This is a legal docu-ment and your signing of the Promissory Note evidences your agreement to these terms.

Promissory Note. This document pledges your account balance in your employer's plan as security for the loan you are receiving. You must sign the Promissory Note in order to receive the check. If you have any concerns or questions, do not sign the Note until they are resolved.

Truth-in-Lending Recision Notice. You may cancel your loan obligation in writing within three business days of receipt of the loan documents and check.

6. Begin loan repayments.

Your employer will begin to make payroll deductions for your loan repayments in accordance with the Amortization Schedule provided to you. Under no circumstances will ICMA-RC accept personal checks for your loan repayment.

Important Additional Information

How much will I be charged for the loan?

You will be charged a standard, nonrefundable \$50 fee, which will be deducted from your account when your loan request is processed. In addition, you will be charged a loan maintenance fee which is assessed against the outstanding loan balance and amor-tized over the life of the loan. This fee is equal to 0.50% annually.

What happens if I die before the loan is paid off?

If you die prior to full repayment of your outstanding loan(s), the outstanding loan balance will be deducted from your account prior to distribution to your beneficiary(ies). The unpaid loan amount is a taxable distribution. Your estate is responsible for taxes on the unpaid loan amount, if any. Your beneficiary is responsible for taxes due on the amount he/she actually receives. A Form W-2 will be issued to your estate and a Form 1099 will be issued to your beneficiary for these purposes.

What happens if I separate from service before my loan is paid off?

Your employer's Loan Guidelines specify whether loans are due and payable (1) when you separate from service (not permitting you to continue repaying the loan), (2) when you separate from service and receive a distribution of all of your account balance or (3) when you separate from service and receive a distribution of any part of your account balance.

My loan is for a principal residence purchase. Can I deduct the interest on my federal tax return?

While ICMA-RC does not provide tax advice, you should be aware that the instructions for completion of Schedule A, Form 1040 require that a condition of deductibility of home mortgage interest is that the loan is secured by the property. The security of your section 457 deferred compensation plan loan for a residence is your account balance, rather than the property itself.

How is my payroll deduction for loan repayment treated for tax purposes?

Your payroll deduction for loan repayments will be made on an after-tax basis. At the time that funds were transferred from your account to the investment in the Promissory Note, no taxable income was reported. When loan repayments are made, the repayments are credited back to your account. Because the amounts credited replace amounts already identified as to taxability, the repayment is made on an after-tax basis. A second tax deduction for replacing the funds, which will retain their pre-tax status, would amount to the same funds in the account having resulted in a tax deferral twice.

How does this appear on my statement?

Your quarterly and annual statements will include a loan summary report, detailing the crediting of repayments of principle and interest to your account and presenting the outstanding loan balance amount.

Whom can I call for assistance?

Assistance is available from ICMA-RC's Customer Services staff from 8:30 a.m. to 9:00 p.m. Eastern Time (5:30 a.m. to 6:00 p.m. Pacific Time). Please call the toll-free VantageLine 1-800-669-7400 and request that you be connected to Customer Services.

Maximum Loan Amount Worksheet (Required under the Internal Revenue Code)

To estimate the maximum amount of a loan for which you may be eligible, calculate each step and select the **lesser** of the total from Step 1 or Step 2. If you have had no outstanding 457 or 401 plan loans in the last 12 months, you may enter \$50,000 as the total in Step 1 and proceed to Step 2.

Step 1.

A. Enter your highest outstanding loan balance during the previous 12 months from 457 and for 401 plan loans. [See your Loan Amortization Schedule(s)]

(_____)

B. Enter your current outstanding 457 or 401 plan loan balance(s).

C. Subtract Line B from Line A.

\$50,000

D.

(_____)

E. Enter the amount from Line C.

F. Subtract Line E from Line D.

(_____)

G. Enter your current outstanding loan balance(s).

Step 1 Total

Subtract Line G from Line F.

Step 2.

H. Enter 50 percent of the present value of your total account balance in the 457 plan including any outstanding loan balance.

(_____)

I. Enter your current outstanding 457 or 401 plan loan balance(s).

Step 2 Total

Subtract Line I from Line H.

The actual amount you may borrow will be calculated using your account balance on the day the loan was made.



457 LOAN/REFINANCE APPLICATION FORM

ICMA Retirement Corporation
Attn.: Records Management Unit
P.O. Box 98150
Washington, DC 20090-8150



- Use this form to apply for a new loan or to refinance an existing loan.
- Please read the instructions on the reverse side of this form before completing form.

1 Participant Information	Employer Plan Number <u>3 0</u> Employer Plan Name _____ State _____	
	Social Security Number _____	Daytime Phone Number: _____ (<u> </u> <u> </u>) _____ Area Code
	Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Single	
	Name of Participant Last _____ First _____ M.I. _____	
	Mailing Address: _____	
	City: _____ State: _____ Zip Code: _____	
	Loan Selection: <input type="checkbox"/> New Loan (Complete Parts 2, 4, and 5, if applicable) <input type="checkbox"/> Loan Refinance (Complete Parts 3, 4, and 5, if applicable)	
2 New Loan Information	A. Loan Amount Requested \$ _____ OR <input type="checkbox"/> Maximum Dollar Amount Available	
	B. Loan Term Requested (specify number of MONTHS per instructions on back of form) _____	
	C. Payroll Frequency <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-weekly <input type="checkbox"/> Semi-monthly <input type="checkbox"/> Monthly	
	D. Primary Residence Loan <input type="checkbox"/> Yes (Attach evidence of intent to purchase - see instructions on back of form) <input type="checkbox"/> No	
	E. Purpose of Loan _____	
	<div style="border: 1px solid black; padding: 5px;">EMPLOYER USE ONLY Next Payroll Date _____ (See instructions on back)</div>	
3 Loan Refinance Information Available for participants with only one outstanding loan	A. Loan Amount Requested (specify additional loan amount per instructions on back of form) \$ _____ OR <input type="checkbox"/> Maximum Dollar Amount Available	
	B. Loan Term Requested (specify remaining number of MONTHS per instructions on back) _____	
	C. Payroll Frequency <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-weekly <input type="checkbox"/> Semi-monthly <input type="checkbox"/> Monthly	
	D. Purpose of Loan _____	
	<div style="border: 1px solid black; padding: 5px;">EMPLOYER USE ONLY Next Payroll Date _____ (See instructions on back)</div>	
4 Participant Signature	I hereby apply for a loan, subject to and in accordance with the terms and provisions from my employer's plan. I understand that the loan will be subject to a loan fee being deducted from my account and/or repayments prior to the repayment being credited to my account. I also understand that any amortization schedule or loan data received prior to receipt of the actual loan documents was for illustrative purposes only. As required by law and under penalty of perjury, I certify that the Social Security Number (Taxpayer Identification Number) I provided is correct. _____ Participant Signature Date _____	
5 Authorized Signature	_____ Employer Approval Signature Date _____ _____ Employer Contact Name (please print) Phone _____ Fax _____	

IMPORTANT-REMEMBER TO PRINT LEGIBLY IN BLACK OR BLUE INK

INSTRUCTIONS



1. Participant Information

You must currently be an employee in this employer's plan to request a new loan or refinance an existing loan. Please complete all participant information to avoid a delay in processing. Select either a new loan or loan refinance by checking the appropriate box. Availability is subject to the frequency restrictions stated in the Loan Guidelines.

2. New Loan Information

Complete this section to request a new loan. The loan amount requested cannot exceed the dollar amount restrictions contained in the Loan Guidelines. The amount you actually receive may be adjusted due to changes in your account balance on the day the loan is made.

The loan term requested is the number of months over which you wish to repay this loan. To assist you:

12 months = 1 year	60 months = 5 years
24 months = 2 years	120 months = 10 years
36 months = 3 years	240 months = 20 years
48 months = 4 years	360 months = 30 years

The maximum allowable term for a nonresidential loan is five years and the maximum allowable term for a primary residence loan is variable by plan, but may not exceed 30 years. Check with your employer for the maximum loan term for primary residence loans for your plan.

ICMA-RC will convert the terms of your loan to the number of required payments based upon the frequency of your employer's payroll. The repayment frequency must match your employer's payroll cycle in order to ensure proper crediting of your account.

A primary residence loan is allowed only for a purchase of a primary residence. Proof of intent to purchase a primary residence must be attached to the loan application. Proof of intent may include a contract to buy/sell real estate including signatures of **BOTH** buyer and seller.

3. Loan Refinance Information

Complete this section to refinance an existing loan. An application for a loan refinance is allowed for a participant who has only one outstanding loan and who wishes to borrow an additional amount. If you do not wish to borrow an additional amount, use the *457 Loan Reamortization Form*. A loan for a primary residence cannot be refinanced, but may be reamortized.

The loan amount requested refers to the additional loan amount desired.

The loan term requested is the number of months over which you wish to repay the loan. This may not exceed the maximum allowable term according to your employer's Loan Guidelines. For example, you want to refinance a two-year, nonresidential loan you were issued on January 1, 1993. You may extend the loan term repayment period, but not beyond January 1, 1998, the maximum allowable term of the original loan. Special rules may apply to the term of a refinanced loan.

A loan refinance is subject to the same restrictions as a new loan.

The repayment frequency must match your employer's payroll cycle in order to ensure proper crediting of your account.

4. Participant Signature

Sign this application and submit it for approval to your employer.

5. Authorized Signature

Once you have completed and signed this form, submit it for your employer's approval. Send the first copy to ICMA-RC, your employer will retain the second copy and the third copy is for your records.

Special Instructions

The interest rate on new and refinanced loans is determined by using the prevailing rate as specified in the Loan Guidelines. Loan Guidelines are available from your employer.

Loan documents and checks will be mailed each week to your employer for signature and distribution. Repayments will be scheduled to begin following the issuance of the loan as determined by your employer's payroll cycle.

While you remain employed, your employer will make payroll deductions for loan repayments and remit them directly to the ICMA Retirement Trust.

Employer: In order for ICMA-RC to synchronize the participant's amortization schedule with your payroll cycle, we need to know a date in your payroll cycle. Please complete the box in Section 2 of the Loan Reamortization Form. This will enable ICMA-RC to set the first payment date (approximately one month from issue) to coincide with your payroll.